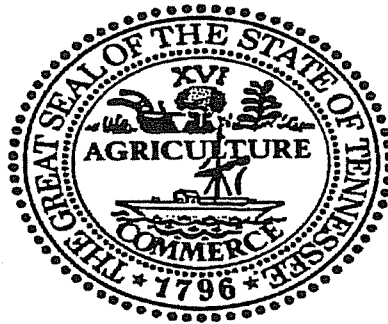

Summary Session Report

2008

Budget Overview
Noted Legislation
Summary of Final Action (By Dept)
Revenues
Salary & Benefits
Capital Projects - both Outlay & Maintenance



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Cathy Higgins - Business & Transportation
Nancy Townsend - General Government

OVERVIEW

2008-09 Final Budget

SUMMARY - FINAL ACTION

Millions (Excludes Bonds)

	06-07 Est	07-08 Est	08-09 Rec	AA	Leg Action	Final 08-09 Action	0708 to 0809	
TOTAL STATE							Increase	Percent
State	12,459	13,793	13,845	(320)	62	13,587	(205)	-1.5%
Federal	9,387	9,562	9,565	-	-	9,565	2	0.0%
Other	3,250	3,389	3,338	-	-	3,338	(52)	-1.5%
Tuition	933	1,010	1,020	-	-	1,020	10	1.0%
	\$ 26,030	\$ 27,754	\$ 27,767	\$ (320)	\$ 62	\$ 27,509	\$ (245)	-0.9%

The Budget:

- \$27.5B Budget
- Reflects Revenue Growth in the General Fund of 2% for FY2008-2009, which is lower than normal due to the economic downturn.
- Reflects a reduction of over \$400 M to the originally proposed budget.
- Reflects a host of tough choices that were necessary to provide a budget that lives within expected revenues.
- Maintains the Rainy Day Fund at \$750M
- Gives authority to the Administration to use Reserves to close (if necessary).

It does so by:

- **NOT** raising taxes.
- **NOT** transferring dollars into the General Fund from the Transportation Fund.
- **NOT** taking State Shared Taxes away from local governments.
- Providing a responsible way to downsize employee staffing by offering a voluntary buyout package

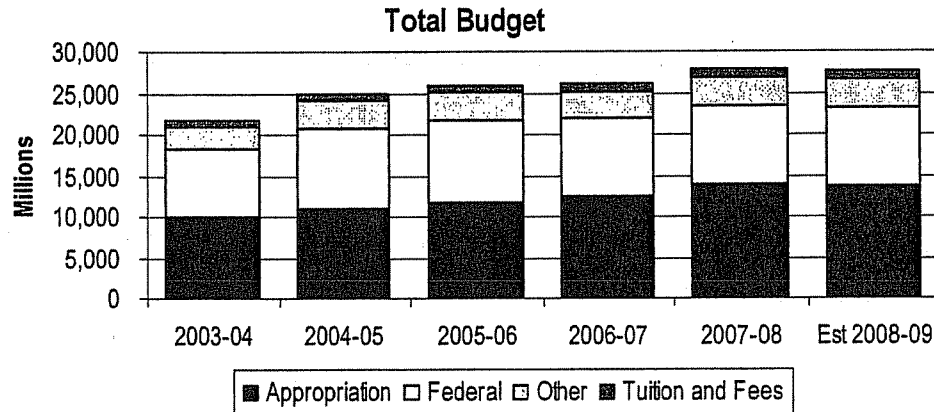
“The GOOD”

- **K12 Education** – It keeps intact full funding of the Basic Education Program (BEP) in K-12. By doing so, it provides an additional \$67.1M to be allocated through the BEP formula. Unfortunately, limited revenue growth does not allow for any additional installment of BEP 2.0.
- It funds the **Long-Term Care Act** which will provide new options for home and community-based services and allow a greater number of people to stay at home for long-term care services.
- **Adult Education** – It continues funding to provide adult education and free GED testing.
- **Children Services and Mental Retardation** – It provides funding necessary to directly address critical needs and services currently under review in DCS and Mental Retardation.
- **State Employees** - Although it does not provide a pay raise for K12, higher education or state employees, it does try to recognize the value and importance of them all by continuing to fund the 401K match at \$50 per month AND by providing a one-time employee payment of \$400.
- **Higher Education** – in-state tuition was increased only 6 percent for all academic units (except University of Memphis - 7%)

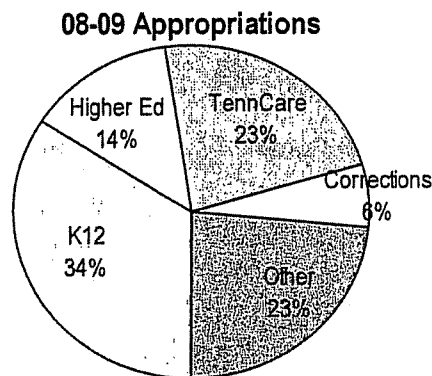
SELECTED FISCAL INFORMATION

Funding Trend

- The FY08-09 Total Budget reflects a one year decrease of approximately .7 %.
- Since FY03-04 (5 years), the total budget has increase an average of 4.85% per year.

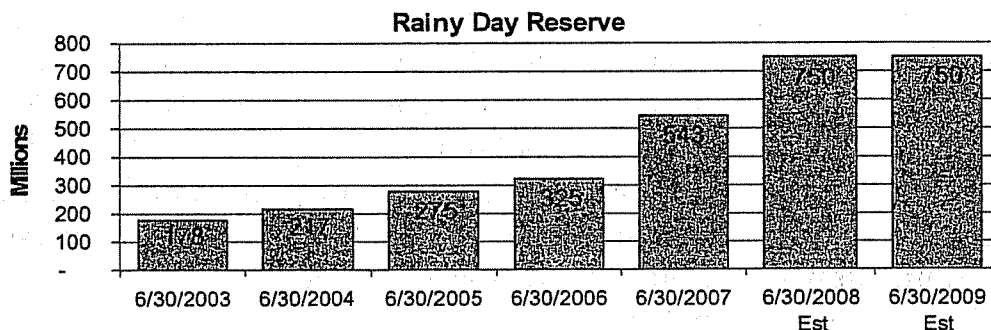


- Of the 08-09 state appropriations, over 75 percent of the state \$11.4B state appropriations can be attributed to just four departments: K12 Education, Higher Education, TennCare and Corrections.



Rainy Day Reserve

- The FY08-09 Budget preserves the Rainy Day Fund Balance at \$750 million.
- The \$750 million balance represents approximately 6.9 percent of total General Fund Revenue.



2008 SESSION - NOTED LEGISLATION

						GF Fiscal Impact			
		DESCRIPTION	PUBLIC CHAPTER	SB	HB	SJR	Recurring	Nonrecurring	GF Revenue
1	Budget Bills	Appropriations Bill	1203	4213	4219				
2		Reserve-taking Authorization	1191	4186	4149				
3		Reserve-taking Authorization - reserves plus	1120	2639	2637				
4		Civil Service Relief	1110	2220	2279				
5		Technical Corrections Tax Bill	1106	4173	4129				
6		Bond Bill	1202	4215	4218				
7		Bonds - State Route 840 Bd Authorization	1193	4268	4267				
8	Crime	Expansion of the Crooks with Guns Law - certain convicted felons	1166	219	164		\$26,400 Incar	-	-
9	Crime	DUI	978	359	831		Local Permissive	-	-
10	Crime	Sex Offender - DL Photo Identification Card	1143	1172	957		-	88,000	-
11	Crime	Prevention of theft of copper and other precious metals	690	2400	2433		\$7,000/ \$2,300 Incar	20,000	20,000
12	Crime	Josh Osburne Law	1024	2580	2465		Not Significant	-	-
13	Crime	Sex Offenders - must provide email and screen names	979	2594	2585		Not Significant	-	-
14	Crime	Class E Felony for false statements of child abuse	1171	2620	2586		\$13,800 Incar	-	-
15	Crime	DUI committed with child in car - Class D / B	1177	2973	2765		\$34,400 Incar	-	-
16	Crime	Probation & Parole - sexual contact with parolee - Creates Class E Felony	1200	4150	4106		\$6,900 Incar	-	-
17	Crime	Sex Offender Registry made public	1164	4199	4197		\$258,700 / \$410,000 Incar	15,000	412,500
18	Immigration	Correction - knowingly trafficking a person for labor servitude or sexual servitude	1140	771	71		\$185,700 Incar	-	-
19	Elections	TN Voter Confidence Act: Requires that elections be conducted w/ scannable paper ballots OR electronic machines that provide printouts for each vote by 2010.	1108	1363	1256		Local: exceeds \$100,000 statewide		
20	Healthcare	Directs Aging to develop Self-Directed Care Prgm (3-Yr Pilot Project)	1168	1157	941		80,000	-	-
21	Healthcare	Authorizes formation of Health Group Cooperatives - small employers	1036	4014	4066		Not Significant	-	-
22	Healthcare	Long Term Care Community Choices Act	1190	4181	4144		-	-	-
23	Higher Ed	Restriction of college students to credit card companies looking to recruit new customers	1000	3814	3393		Minimal	-	-
24	Local	Revises various fees for county clerks	924	3195	2855		-	-	100,000
25	Local	Competitive Cable and Video Services Act	932	1933	1421				
26	Lottery	Energy Efficient Schools Initiative	1188	4039	4039				
27	Lottery	Lottery Bill	1142	611	653				
28	Open Govt	Open records for citizens seeking information about government	1179	3280	3637		140,400	22,500	-
29	Energy	Energy management and conservation - clarifies role of F&A and Gen. Services	717	2872	2815		Not Significant	-	-
30	Energy	Energy management and conservation - mandates state participate in energy mgmt program	718	2874	2817		Not Significant	-	-
31	Safety	Fire Safe Cigarettes - effective Jan 1, 2010	920	2306	2343		46,900	4,000	144,700
32	Safety	Requires background checks for day care workers	922	2708	3264		Not Significant	-	-
33	Tax Relief	Expansion of property tax relief to homeowners who are totally and permanently disabled	553	28	157		Funded in 2007		
34	Tort Reform	Tort reform legislation aimed at avoiding meritless medical malpractice lawsuits	919	2001	1993		-	-	-
35	Veterans	Veterans Home Board Membership revises membership and duties	1137	3919	3795		5,500	-	-

SUMMARY - FINAL ACTION

Millions (Excludes Bonds)

	06-07 Est	07-08 Est	08-09 Rec	AA	Leg Action	Final 08-09 Action	0708 to 0809 Increase	Percent
TOTAL STATE								
State	12,459	13,793	13,845	(320)	62	13,587	(205)	-1.5%
Federal	9,387	9,562	9,565	-	-	9,565	2	0.0%
Other	3,250	3,389	3,338	-	-	3,338	(52)	-1.5%
Tuition	933	1,010	1,020	-	-	1,020	10	1.0%
	\$ 26,030	\$ 27,754	\$ 27,767	\$ (320)	\$ 62	\$ 27,509	\$ (245)	-0.9%

	06-07 Est	07-08 Est	08-09 Rec	AA	Leg Action	Final 08-09 Action	0708 to 0809 Increase	Percent
GENERAL FUND								
State	10,576	11,589	11,680	(320)	62	11,422	(167)	-1.4%
Federal	8,439	8,696	8,697	-	-	8,697	1	0.0%
Other	3,048	3,187	3,096	-	-	3,096	(91)	-2.9%
Tuition	933	1,010	1,020	-	-	1,020	10	1.0%
	\$ 22,997	\$ 24,482	\$ 24,492	\$ (320)	\$ 62	\$ 24,235	\$ (247)	-1.0%

Highlights

- Reflects a reduction of over \$400M to the originally proposed budget
- Reflects a host of tough choices that were necessary to provide a budget that lives within expected revenues
- Does NOT raise taxes
- Does NOT transfer \$ into General Fund from the Highway Fund
- Does NOT take State-shared taxes away from local governments
- Provides a responsible way to downsize employee staffing by offering Voluntary Buyouts to employees
- Reallocates (for 2 Years) an additional portion of Real Estate Transfer Tax of \$12M

K-12 Education

- fully funds BEP; does not provide additional \$ to address next phase of BEP 2.0

Long-Term Care

- Funds Long-Term Care Act - to provide new options for home and community-based services

State Employees

- No COLA
- Maintains \$50 401K Match
- Provides \$400 one-time bonus

Millions	06-07 Est	07-08 Est	08-09 Rec	AA	Leg Action	Final 08-09 Action	0708 to 0809 Increase	Percent
K12								
State	3,414	3,817	4,019	(157)	26	3,888	72	1.9%
Federal	873	906	906	-	-	906	0	0.0%
Other	56	50	45	-	-	45	(4)	-8.7%
	\$ 4,342	\$ 4,772	\$ 4,971	\$ (157)	\$ 26	\$ 4,840	\$ 67	1.4%

- Fully funds BEP; does not provide additional \$ to address next phase of BEP 2.0
- Provides inflationary increase for Pre-K Program
- Provides for a one-time bonus to all licensed personnel (amount not to exceed \$400/person).

Education

	06-07 Est	07-08 Est	08-09 Rec	AA	Leg Action	Final 08-09 Action	0708 to 0809 Increase	Percent
Higher Ed								
State	1,499	1,639	1,625	(58)	15	1,582	(58)	-3.5%
Federal	206	212	212	-	-	212	0	0.1%
Other	483	523	529	-	-	529	6	1.2%
Tuition	933	1,010	1,081	-	-	1,081	71	7.0%
	\$ 3,121	\$ 3,384	\$ 3,447	\$ (58)	\$ 15	\$ 3,404	\$ 19	0.6%

- Includes recurring Base Budget Reductions of \$55.8M.
- Provides for a one-time bonus of \$400/employee.
- Continues a 401K match of up to \$50/month.
- Tuition increase: 6% for all Academic Units except UoM (7%)
- Broadens HOPE Scholarship by adjusting GPA requirement for retaining Lottery Scholarships

Millions

0708 to 0809

Cover Tenn	06-07 Est	07-08 Est	08-09 Rec	AA	Leg Action	Final 08-09 Action	Increase	Percent
State	70	96	73	11	-	84	(12)	-12.2%
Federal	22	66	87	-	-	87	20	30.6%
Other	-	0	0	-	-	0	-	0.0%
	\$ 92	\$ 163	\$ 160	\$ 11	\$ -	\$ 171	\$ 9	5.3%

TennCare	06-07 Est	07-08 Est	08-09 Rec	AA	Leg Action	Final 08-09 Action	Increase	Percent
State	2,650	2,696	2,680	(81)	-	2,599	(97)	-3.6%
Federal	4,524	4,648	4,638	-	-	4,638	(10)	-0.2%
Other	301	267	220	-	-	220	(47)	-17.7%
	\$ 7,475	\$ 7,611	\$ 7,537	\$ (81)	\$ -	\$ 7,457	\$ (155)	-2.0%

Health	06-07 Est	07-08 Est	08-09 Rec	AA	Leg Action	Final 08-09 Action	Increase	Percent
State	198	216	204	(13)	2	193	(22)	-10.4%
Federal	278	236	225	-	-	225	(12)	-4.9%
Other	120	131	127	-	-	127	(4)	-3.4%
	\$ 597	\$ 583	\$ 556	\$ (13)	\$ 2	\$ 545	\$ (38)	-6.6%

- Provides \$5M for 2nd Year of Smoking Cessation Program

Human Services	06-07 Est	07-08 Est	08-09 Rec	AA	Leg Action	Final 08-09 Action	Increase	Percent
State	176	193	183	0	0	184	(9)	-4.5%
Federal	1,639	1,668	1,676	-	-	1,676	7	0.4%
Other	144	145	141	-	-	141	(3)	-2.4%
	\$ 1,959	\$ 2,006	\$ 2,000	\$ 0	\$ 0	\$ 2,001	\$ (5)	-0.2%

Mental Health	06-07 Est	07-08 Est	08-09 Rec	AA	Leg Action	Final 08-09 Action	Increase	Percent
State	157	180	179	2	0	182	1	0.7%
Federal	22	64	64	-	-	64	(1)	-1.3%
Other	91	93	91	-	-	91	(2)	-2.3%
	\$ 270	\$ 338	\$ 333	\$ 2	\$ 0	\$ 336	\$ (2)	-0.5%

Mental Retardation	06-07 Est	07-08 Est	08-09 Rec	AA	Leg Action	Final 08-09 Action	Increase	Percent
State	83	76	81	0	-	81	5	6.6%
Federal	3	2	2	-	-	2	0	0.1%
Other	756	780	752	-	-	752	(28)	-3.6%
	\$ 842	\$ 858	\$ 835	\$ 0	\$ -	\$ 835	\$ (23)	-2.7%

- Provides funding to bring 600 new enrollees into home and community based services

- Provides funding (capital outlay) to construct additional residential units

Children's Services	06-07 Est	07-08 Est	08-09 Rec	AA	Leg Action	Final 08-09 Action	Increase	Percent
State	317	339	341	(3)	1	339	(0)	0.0%
Federal	110	116	116	-	-	116	1	0.5%
Other	223	229	229	-	-	229	(0)	0.0%
	\$ 650	\$ 684	\$ 686	\$ (3)	\$ 1	\$ 684	\$ 0	0.1%

- Funds rate increase for foster care and adoptive assistance services

- Pending - Potential Loss of significant federal funding for case management services (not reflected)

Health & Social Services

Millions

0708 to 0809

Corrections	06-07 Est	07-08 Est	08-09 Rec	AA	Leg Action	Final 08-09 Action	Increase	Percent
State	616	672	674	8	1	682	10	1.5%
Federal	16	1	1	-	-	1	(0)	-6.7%
Other	16	19	16	-	-	16	(4)	-19.4%
	\$ 648	\$ 692	\$ 690	\$ 8	\$ 1	\$ 698	\$ 7	0.9%

- Provides funding for Morgan County Facility Expansion
- Provides additional funding to local jails due to an increase in the local felon population
- Provides inflationary increase for all prison service agreements
- Provides additional funding (\$8M in AA) for extension of inmate medical services contract

Probation & Parole	06-07 Est	07-08 Est	08-09 Rec	AA	Leg Action	Final 08-09 Action	Increase	Percent
State	73	82	82	(0)	-	82	(0)	-0.4%
Federal	-	-	-	-	-	-	-	0.0%
Other	1	2	1	-	-	1	(1)	-65.5%
	\$ 74	\$ 84	\$ 83	\$ (0)	\$ -	\$ 83	\$ (2)	-1.9%

TBI	06-07 Est	07-08 Est	08-09 Rec	AA	Leg Action	Final 08-09 Action	Increase	Percent
State	36	39	40	0	-	40	2	4.4%
Federal	10	10	10	-	-	10	0	0.2%
Other	14	14	13	-	-	13	(1)	-7.0%
	\$ 61	\$ 62	\$ 63	\$ 0	\$ -	\$ 63	\$ 1	1.2%

- Provides funding to conduct DNA testing on all violent felon arrests
- Provides partial funding to operate new Knoxville Lab

Safety	06-07 Est	07-08 Est	08-09 Rec	AA	Leg Action	Final 08-09 Action	Increase	Percent
State	104	116	124	(10)	0	113	(3)	-2.5%
Federal	8	8	9	-	-	9	1	8.3%
Other	47	47	46	-	-	46	(1)	-2.1%
	\$ 159	\$ 171	\$ 178	\$ (10)	\$ 0	\$ 168	\$ (3)	-1.9%

- Funds statutory salary increase for troopers

District Attorneys	06-07 Est	07-08 Est	08-09 Rec	AA	Leg Action	Final 08-09 Action	Increase	Percent
State	61	68	69	-	-	69	1	1.2%
Federal	-	-	-	-	-	-	-	0.0%
Other	22	24	23	-	-	23	(1)	-3.2%
	\$ 82	\$ 92	\$ 92	\$ -	\$ -	\$ 92	\$ 0	0.1%

- Funds mandatory salary increase for Assist. DAs and criminal investigators

District Public Defenders	06-07 Est	07-08 Est	08-09 Rec	AA	Leg Action	Final 08-09 Action	Increase	Percent
State	35	40	40	-	-	40	0	0.3%
Federal	-	-	-	-	-	-	-	0.0%
Other	1	1	1	-	-	1	-	0.0%
	\$ 36	\$ 41	\$ 41	\$ -	\$ -	\$ 41	\$ 0	0.3%

- Funds mandatory salary increase for Assist. PDs and criminal investigators

Court System	06-07 Est	07-08 Est	08-09 Rec	AA	Leg Action	Final 08-09 Action	Increase	Percent
State	105	113	111	-	0	111	(1)	-1.3%
Federal	0	0	0	-	-	0	-	0.0%
Other	5	5	5	-	-	5	(0)	-7.2%
	\$ 110	\$ 118	\$ 116	\$ -	\$ 0	\$ 116	\$ (2)	-1.6%

- Funds mandatory salary increase for judges

Law, Safety and Correction

Millions

0708 to 0809

Commerce & Ins	06-07 Est	07-08 Est	08-09 Rec	AA	Leg Action	Final 08-09 Action	Increase	Percent
State	82	88	88	0	(0)	87	(0)	-0.1%
Federal	1	0	0	-	-	0	(0)	-25.7%
Other	45	56	50	-	-	50	(6)	-10.3%
	\$ 128	\$ 143	\$ 138	\$ 0	\$ (0)	\$ 138	\$ (6)	-4.1%

Environ & Conservation	06-07 Est	07-08 Est	08-09 Rec	AA	Leg Action	Final 08-09 Action	Increase	Percent
State	185	281	203	(14)	0	188	(93)	-33.0%
Federal	72	72	72	-	-	72	(0)	-0.1%
Other	99	104	104	-	-	104	(0)	0.0%
	\$ 356	\$ 457	\$ 379	\$ (14)	\$ 0	\$ 365	\$ (93)	-20.3%

- Includes Base Reduction of \$350,000
- Deletes \$10 million improvement from Heritage Conservation Trust Fund
- Deletes other improvements totaling \$4.1 million
- Redirects Acquisition funds to General Fund (\$12 million)
- Includes legislative improvements of \$188,000 (nonrecurring).

Labor and Workforce	06-07 Est	07-08 Est	08-09 Rec	AA	Leg Action	Final 08-09 Action	Increase	Percent
State	40	46	43	-	2	45	(1)	-2.2%
Federal	159	158	145	-	-	145	(13)	-8.3%
Other	25	30	39	-	-	39	9	31.4%
	\$ 224	\$ 234	\$ 227	\$ -	\$ 2	\$ 229	\$ (5)	-2.0%

- Includes \$1.5 million nonrecurring for Adult Education for tutoring and GED testing fees

TWRA	06-07 Est	07-08 Est	08-09 Rec	AA	Leg Action	Final 08-09 Action	Increase	Percent
State	50	56	54	-	-	54	(1)	-2.5%
Federal	21	22	19	-	-	19	(3)	-12.7%
Other	15	17	11	-	-	11	(6)	-33.5%
	\$ 87	\$ 95	\$ 85	\$ -	\$ -	\$ 85	\$ (10)	-10.5%

Resources and Regulation

Millions

0708 to 0809

ECD	06-07 Est	07-08 Est	08-09 Rec	AA	Leg Action	Final 08-09 Action	Increase	Percent
State	78	102	66	92	0	158	56	54.6%
Federal	33	38	38	-	-	38	(0)	-0.5%
Other	13	16	14	-	-	14	(2)	-12.0%
	\$ 125	\$ 156	\$ 118	\$ 92	\$ 0	\$ 210	\$ 54	34.4%

- Provides \$19.3M for Jobs Package
- Authorizes use of additional funds if needed in Fast Track program to attract/retain business activity

Tourist Development	06-07 Est	07-08 Est	08-09 Rec	AA	Leg Action	Final 08-09 Action	Increase	Percent
State	12	14	14	(1)	-	13	(1)	-7.2%
Federal	-	-	-	-	-	-	-	0.0%
Other	6	7	7	-	-	7	0	2.2%
	\$ 18	\$ 21	\$ 21	\$ (1)	\$ -	\$ 20	\$ (1)	-4.0%

- Provides \$3.75M for advertising

Agriculture	06-07 Est	07-08 Est	08-09 Rec	AA	Leg Action	Final 08-09 Action	Increase	Percent
State	66	94	94	(13)	-	81	(13)	-13.9%
Federal	11	11	10	-	-	10	(1)	-12.4%
Other	11	9	9	-	-	9	(0)	0.0%
	\$ 89	\$ 114	\$ 113	\$ (13)	\$ -	\$ 100	\$ (14)	-12.6%

- Deletes Firefighting Communications Equipment improvement of \$4.8 million
- Deletes general fund dollars from Agricultural Enhancement Program - \$5 million
- Earmarks funding of \$250,000 each for FFA and 4-H from Market Development

Transportation, Business and Econ Development

Revenues

REVENUES

		General Fd Revenue		Est. Rev Growth	
==>	0607 Actual	\$ 9,261			
	0708 Orig Est	9,778			
	0708 Revised Est (Dec)	9,598	(180)		
==>	0708 Revised Est (May) \$	9,284	(314)	0.25%	
	Shortfall vs Orig Est		(494)		-5.05%
	0809 Orig Est (Dec)	9,938			
==>	0809 Revised Est (May) \$	9,470	(468)	2.00%	
	Shortfall vs Orig Est		(468)		-4.71%

Note:

General Fund revenues were impacted by:

- National Economic Downturn in Economy caused by
 - Crisis in Mortgage Industry and Housing Market caused by sub-prime lending
 - Record low in home sales
 - Impact of rising fuel prices on consumer spending and car sales
 - Continued decline in consumer confidence visible evidenced on consumer spending
- Estimated new revenue from July 1, 2007 42 cent increase in cigarette taxes failed to recognize impact of tax stamp accumulation by wholesalers

Salary & Benefits

SALARIES and COMPENSATION

\$ 86,851,024

State Employees		\$ 15,290,000
COLA	-	
Class Comp: Non-Executive Branch	-	
Compression Funding	-	
Bonus State Employees @\$400 ea (3 yr. min. service)	10,690,000	(Non-Rec)
Continue 401(K) \$50/month match	4,600,000	(Non-Rec)
Higher Education		\$ 8,993,424
COLA	-	
Bonus Higher Ed. Employees @\$400 ea (3 yr. min. service)	8,993,424	
Continue 401(K) \$50/month match		
K12		\$ 24,627,600
COLA	-	
K-12 Bonus for certificated personnel. (Approximately \$400 each)	24,627,600	(Non-Rec)
Mandated Salary Increases		\$ 4,340,000
Court System	972,800	
Attorney General	5,600	
DAs	1,163,200	
Asst DA's Child Support	35,300	
PDs	556,000	
Post-Conviction Defender	24,000	
T&E: Special Schools	187,300	
T&E: Youth Development Ctrs.	59,700	
Safety Step	802,300	
Safety Salary Survey	-	
TWRA Step Increases	533,800	
TWRA Salary Survey (from dedicated funds)	-	
Retirement		\$ -
Public Safety Officers Retirement Supplement Bridge	-	
PDs - broadens eligibility for prior service credits for entry level pay.	-	
DAs - increases maximum prior service credit.	-	
Insurance		\$ 33,600,000
Group Health Insurance premium increases for State Employees and Higher Education to be totally absorbed by the employees. No premium increases for K-12.	-	
State Employees & Higher Education Insurance Premium Cost		
Annualize 1-1-08 rate increase	14,500,000	
1-1-09 rate increase	11,300,000	
Changes to Co-Pays & Deductibles		
Co-pays will change for non-preferred & brand name drugs, but not generic.		
HMO and POS primary care and specialists co-pays will increase by \$5.		
Out-of-pocket maximum will increase from \$1,300 to \$1,350.		
ER visits when no admission will increase from \$50 to \$75.		
PPO deductibles will increase from \$300 to \$350.		
K-12 Employees Insurance Premium Cost		
Annualize 1-1-08 rate increase	7,800,000	
1-1-09 rate increase - no increase	-	